



JOHN NAIMO  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

August 26, 2016

TO: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: John Naimo   
Auditor-Controller

SUBJECT: **PUBLIC COUNSEL – A DEPARTMENT OF PUBLIC HEALTH DIVISION  
OF HIV AND STD PROGRAMS PROVIDER – CONTRACT  
COMPLIANCE REVIEW**

We completed a contract compliance review of Public Counsel (or Agency), which included a sample of transactions and case files during March through November 2014. The Department of Public Health, Division of HIV and STD Programs (DHSP) contracts with Public Counsel to provide legal services to indigent persons living with HIV/AIDS.

The purpose of our review was to determine whether Public Counsel appropriately accounted for and spent DHSP funds to provide the services outlined in their County contract. We also evaluated the Agency's financial records, internal controls, and compliance with their County contract and other applicable guidelines.

Our review covered one DHSP contract with Public Counsel, for which DHSP paid the Agency approximately \$101,000 on a cost-reimbursement basis during March through November 2014. Public Counsel provides services to residents of all Supervisorial Districts.

**Results of Review**

Public Counsel maintained adequate documentation to support client eligibility for DHSP services, maintained personnel files as required, and charged payroll expenditures appropriately. However, the Agency did not maintain a separate accounting Cost Center for the DHSP contract as required.

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*Public Counsel's attached response indicates that they agree with our recommendation and will ensure that they maintain a separate Cost Center as required.*

Details of our review, along with a recommendation for corrective action, are attached (Attachment I).

### **Review of Report**

We discussed our report with Public Counsel and DHSP. Public Counsel's attached response (Attachment II) indicates agreement with our finding and recommendation. DHSP will work with Public Counsel to ensure that our recommendation is implemented.

We thank Public Counsel management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

JN:AB:PH:AA:EB:ku

### **Attachments**

c: Sachi A. Hamai, Chief Executive Officer  
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health  
Paul W. Sweeney, Jr., Chairperson, Public Counsel  
Margaret M. Morrow, President and Chief Executive Officer, Public Counsel  
Public Information Office  
Audit Committee

**PUBLIC COUNSEL  
DEPARTMENT OF PUBLIC HEALTH  
DIVISION OF HIV AND STD PROGRAMS  
CONTRACT COMPLIANCE REVIEW  
MARCH THROUGH NOVEMBER 2014**

**ELIGIBILITY**

**Objective**

Determine whether Public Counsel (or Agency) maintained documentation to support the eligibility of clients that the Agency claimed received the Department of Public Health, Division of HIV and STD Programs (DHSP), Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) services.

**Verification**

We reviewed the documentation stored in the case files for five (5%) of the 94 clients that Public Counsel claimed received Ryan White services during March through November 2014.

**Results**

Public Counsel maintained documentation to support the eligibility of the five clients reviewed.

**Recommendation**

**None.**

**PROGRAM SERVICES**

**Objective**

Determine whether Public Counsel maintained documentation to support the services charged to DHSP.

**Verification**

We reviewed the case files for five (5%) of the 94 clients that the Agency claimed received Ryan White services during March through November 2014.

**Results**

Public Counsel maintained documentation to support the services provided to the five clients reviewed.

**Recommendation**

**None.**

**CASH/REVENUE****Objective**

Determine whether Public Counsel properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank reconciliations were prepared timely, and reviewed and approved by Agency management.

**Verification**

We interviewed Public Counsel's management, and reviewed their financial records and September 2014 bank reconciliations for two bank accounts.

**Results**

Public Counsel properly recorded revenue in their financial records, deposited DHSP cash receipts into their bank accounts timely, and bank reconciliations were prepared timely, and reviewed and approved by Agency management.

**Recommendation**

**None.**

**COST ALLOCATION PLAN/EXPENDITURES****Objective**

Determine whether Public Counsel developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to DHSP were allowable, properly documented, and appropriately allocated.

**Verification**

We interviewed Public Counsel's personnel, and reviewed their Plan and their financial records. We did not perform expenditure test work as Public Counsel's non-payroll expenditures charged to DHSP were immaterial.

**Results**

Public Counsel developed their Plan using an appropriate cost allocation methodology.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether Public Counsel maintained personnel files as required and charged payroll expenditures to DHSP that were allowable, properly documented, and appropriately allocated.

**Verification**

We interviewed employees, and reviewed personnel files for three employees. We also compared the payroll expenditures for the three employees, totaling \$10,814 for September 2014, to the Agency's payroll records and time reports.

**Results**

Public Counsel maintained personnel files as required and charged payroll expenditures to DHSP that were allowable, properly documented, and appropriately allocated.

**Recommendation**

None.

**COST REPORT****Objective**

Determine whether Public Counsel's Contract Year (CY) 2013-14 Cost Report reconciled to their financial records, and if the Agency's administrative costs were within their contract's ten percent limit.

**Verification**

We compared Public Counsel's CY 2013-14 Cost Report to their financial records. We also determined whether the Agency's administrative costs were within their contract's ten percent limit.

**Results**

Public Counsel's CY 2013-14 Cost Report reconciled to their financial records, and their administrative costs were within their contract's ten percent limit. However, the Agency did not maintain a separate accounting Cost Center for the DHSP contract as required.

**Recommendation**

1. Public Counsel management maintain a separate accounting Cost Center for each contract as required.

